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SIPDIS
TELEGRAM

April 18, 2004

To: No Action Addressee
Action: Unknown
From: AMEMBASSY ABU DHABI (ABU DHABI 1179 - ROUTINE)
TAGS: ECPS, AORC
Captions: None
Subject: UAEG TO COLLECT ROYALTIES FROM NEW TELECOM SERVICE PROVIDERS
Ref: None

UNCLAS ABU DHABI 01179

SIPDIS
CXABU:
ACTION: ECON
INFO: AMB DCM P/M POL
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INFO: FCS

DISSEMINATION: ECON
CHARGE: PROG

APPROVED: A/DCM: HOLSIN-WINDEC
DRAFTED: ECON: CCRUMPLER
CLEARED: ECON: OJOHN

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DE RUEHAD #1179 1091103
ZNR UUUUU ZZH
R 181103Z APR 04
FM AMEMBASSY ABU DHABI
TO RUEHC/SECSTATE WASHDC 3993
INFO RUEHZM/GCC COLLECTIVE
RUEHGV/USMISSION GENEVA 0547
RUEHDI/AMCONSUL DUBAI 3940

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SIPDIS

SENSITIVE

DEPT FOR EB/CIP AND IO/T
DEPT PASS NTIA AND FCC

E.O. 12958: DECL: N/A
TAGS: [ECPS](#) [AORC](#) [TC](#)
SUBJECT: UAEG TO COLLECT ROYALTIES FROM NEW TELECOM SERVICE PROVIDERS

REF: ABU DHABI 1155

11. (U) Following the April 12 announcement that the UAEG would end Etisalat's monopoly of the telecom sector (ref), the UAEG revealed today that it would hold a 60 percent equity stake in any new telecom service provider that enters the UAE market. The announcement followed the first meeting April 17 of the new Supreme Committee overseeing the telecom liberalization program and presided by Minister

of State for Finance Dr. Mohammed Khalfan bin Khirbash. The Committee also discussed setting up a separate and independent telecom regulatory authority akin to the FCC in the United States.

¶2. (SBU) The watershed decision to open the UAE telecom sector to other providers was announced this week coincidentally as MEPI-funded contractors conducted training for the GCC states plus Yemen on Trade in Services in Abu Dhabi. A Ministry of Communications employee seconded to Etisalat who attended the seminar told Econoff that even Ministry of Communications and Etisalat employees were surprised by the decision, and heard about it through the newspapers. He posited that the UAEG would license new GSM and internet service providers (ISP) first, but require them to use Etisalat's existing network infrastructure.

¶3. (SBU) Comment: The federal budget relies, in large part, on revenue transfers from the two largest emirates of Abu Dhabi and Dubai. Etisalat traditionally has represented the single major independent source of income for the UAE federal government. The Supreme Committee's decision to require new telecom providers to pay royalties to the federal government probably is an attempt to strike a balance between liberalization of the telecom sector and the need at the federal-level for an independent revenue stream. End comment.

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